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COMMERCE FOR 4331/MAC/WH/MCAMERON  
USTR FOR EEISSENSTAT AND JMCCARTHY

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SUBJECT: A STRATEGY FOR RATIFICATION OF THE PTPA

¶1. With Peruvian President Alan Garcia's Oct 10 visit to Washington less than two weeks away, Embassy is increasingly concerned about the likelihood of Congressional inaction on the implementing legislation for the Peru Trade Promotion Agreement (PTPA). From here, the increasing uncertainty is exacerbated by the absence of a clear interagency game plan and time line for ratification, as well as a strategy to protect our interests when the Andean trade preferences (ATPDEA) expire at the end of the year. We encourage Washington agencies meeting this week to work together to develop both a timeline and a strategy to ensure that Congress a) takes up the PTPA before the end of the year and b) to ensure that U.S. importers (and Peruvian exporters) are not penalized by the expiration December 31 of ATPDEA trade preferences.

¶2. The ATPDEA Gap: Even if the House or the entire Congress approve this legislation before the end of the year, there is likely to be a significant and costly gap between expiration of ATPDEA preferences on December 31, 2006 and full entry into force of the PTPA. There is no doubt that a gap will negatively impact countless U.S. importers, Peruvian exporters, as well as U.S. consumers. This gap will harm bilateral economic relationships in the region, as U.S. businesses seek other suppliers. Supporting a program that will provide retroactivity during this period is critical to all our policy goals.

¶3. Implementation: Even if Congress is able to approve the PTPA before the end of the year, the agreement is unlikely to enter into force on January 1 due to the preparation of the implementation process. This work, necessary on both sides, will likely further extend the length of any gap between ATPDEA and entry into force of the PTPA. Our understanding is that the U.S. Trade Representative's Office is concerned that discussions on implementation would prejudice or adversely affect Congressional approval. We will need to work together on this issue to develop a strategy and a timeline.

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